

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2306 - HB 2637**

February 21, 2020

**SUMMARY OF BILL:** Adds fencing materials for livestock as exempt from sales and use tax for persons with an agricultural certificate of exemption.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact –**

**\$2,417,000/FY20-21 and Subsequent Years**

**Decrease Local Revenue – Net Impact –**

**\$986,300/FY20-21 and Subsequent Years**

**Assumptions:**

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Based on information provided by the Department of Revenue, total taxable fencing expenditures are estimated to be \$37,610,456.
- The recurring decrease in state revenue as a result of this legislation is estimated to be \$2,537,506  $[(\$37,610,456 \times 7.0\%) - (\$37,610,456 \times 7.0\% \times 3.617\%)]$ .
- The recurring decrease in local revenue as a result of this legislation is estimated to be \$1,035,487  $[(\$37,610,456 \times 7.0\% \times 3.617\%) + (\$37,610,456 \times 2.5\%)]$ .
- Fifty percent of tax savings, or \$1,786,497  $[(\$2,537,506 + \$1,035,487) \times 50\%]$  will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state revenue is estimated to be \$120,532  $[(\$1,786,497 \times 7.0\%) - (\$1,786,497 \times 7.0\% \times 3.617\%)]$ .
- The recurring increase in local revenue is estimated to be \$49,186  $[(\$1,786,497 \times 7.0\% \times 3.617\%) + (\$1,786,497 \times 2.5\%)]$ .
- The total net recurring decrease in state revenue is estimated to be \$2,416,974  $(\$2,537,506 - \$120,532)$ .
- The total net recurring decrease in local revenue is estimated to be \$986,301  $(\$1,035,487 - \$49,186)$ .

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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